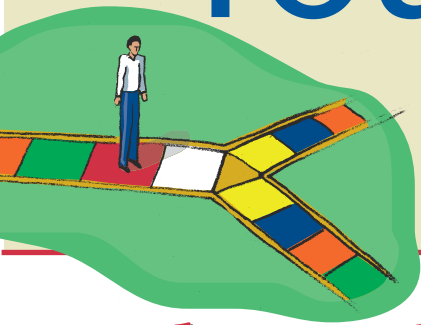


Your Benefits Your Move



Skyrocketing Health Care Costs Call for New Game Plan

In This Newsletter

This newsletter will help you prepare for Open Enrollment 2003. Although there are no major changes for the coming year, plan costs have increased dramatically. Fortunately, your plan contributions will not change due to City and employee organization subsidies. However, to prepare you for future cost increases, you will find some sobering statistics along with tips on how to become a better benefits consumer. If you have questions after reading this newsletter, please contact the Human Resources Department.



From the board rooms of America's most successful companies, to the prescription counters of neighborhood drug stores, people are talking everywhere about the skyrocketing costs of health care. The subject of health care inflation has reemerged in recent months and still the outlook is grim -- double-digit increases with no end in sight. For employers and consumers, it's a state of emergency that calls for an entirely new game plan to help bring costs under control.

Fortunately for City employees, there is good news. **The City will spend significantly more for benefits this year, but the increased costs will not be passed on to employees.**

This year, the City's strategy is to explore ways our health care plans can be used more efficiently. Employees are being asked to join the fight against rising costs by making moves to save health care dollars. If our efforts are not successful, next year's cost control measures will likely include higher employee contributions, as well as

higher deductibles and copayments. It's **Your Benefits. Your Move.** An effective game plan for using your health plan benefits today can help minimize cost increases in the future.

Did You Know?

At the City of Long Beach, the cost for health benefits has increased approximately 29%. Our hospital costs alone catapulted 49% during the past year, while prescription drug costs increased by approximately 20%.

City of
Long Beach

Human
Resources
Department

333 W. Ocean Blvd.,
13th Floor
Long Beach, CA 90802

(562) 570-6302 FAX (562) 570-6107

Open Enrollment

As open enrollment approaches, it is important to recognize that health care costs keep soaring. Fortunately for employees, the City will pay the full increase in costs this year by making higher contributions and using special reserve funds. In other words, the City will pay more, but the amount you pay for benefits through payroll deductions will not increase. Keep in mind, however, that the full balance of the reserve funds will be spent over the course of the next year. This means in 2004, your health care plan cost increases may be significantly higher than ever before. The time to start planning for these increases is now!

The City's Game Strategy

The City's strategy is to find ways to use our health care plans more efficiently. Listed below are some of the actions that have already been taken to help reduce plan costs:

- ▶ Network providers must now refer patients to other network providers for patients to receive the highest level of benefits.
- ▶ PCS now manages all pharmacy benefits, including the money-saving Mail Order program.
- ▶ Continuing education is being provided to network physicians.
- ▶ The City is working closely with Great-West Life to ensure that claims are closely monitored for medical necessity according to our contract.
- ▶ By helping to manage chronic conditions, the CareResults program is decreasing medical complications and slowing the progression of disease. This translates into fewer hospital visits.



Unless costs are brought to a more manageable level and shared reasonably, it may be necessary to reduce benefits in the future to keep the plans affordable. You are encouraged to make the right moves and do your share to help control rising costs. The right strategy combined with teamwork and commitment will help us all to win the game.

Did You Know?

The average employee contribution level for most other large employer health benefit plans is 25% of the total plan cost. City of Long Beach employees pay less than 2% of the total plan cost. What a bargain!



What Factors Have Caused Health Care Costs to Rise?

Health care costs have been simmering for years and are now approaching a full boil. How did we get here? What factors have caused rates to rise? Here's what the experts say:

- ▶ New and expensive medical technologies;
- ▶ Government mandates and regulations;
- ▶ Increased use and higher costs of prescription drugs;
- ▶ An aging population; and
- ▶ More uninsured workers means costs are passed on to rate-payers.

During the mid-1960s, health care coverage could be purchased at or below market rates, as HMOs competed for large pools of enrollees. In the late 1990s, the focus shifted from enrollment numbers to profit margins. Hospitals and physicians then joined forces and demanded higher reimbursements from HMOs.

As the population aged, plans were hit hard with expenses for new technologies and prescription drugs. Meanwhile, Federal Medicare reimbursements dwindled.

Then the economy slumped, causing many workers to lose their jobs. The costs for emergency medical care for these displaced employees were passed on to the rate-payers. Medical insurers across the nation felt the financial squeeze and are still struggling to recover.

What Can Employees Do To Help Control Costs?

As a team, the City and employees must work together to help bring costs to more manageable levels. Employees can start by becoming informed benefits consumers and by shopping for value when it comes to health care. Here are other steps you can take that ultimately will reduce costs for yourself and the plan:

- ▶ Stay healthy. Experts say the first line of defense against rising health care costs is to take preventive measures. That means eat healthy, exercise, don't smoke, and get regular check-ups. If you need medicine, take it as prescribed by your doctor to avoid health complications and lengthy hospital stays.
- ▶ Use network providers for primary care and referrals. The plan has negotiated special rates with network providers to help keep costs affordable without sacrificing quality. Take advantage of this savings opportunity.
- ▶ Always request generic drugs. Generic drugs can cost up to 95% less than their brand-name counterparts, yet they are equally effective.
- ▶ Comparison shop and consider reasonable options. The copayment for your prescription cough medicine, for example, may cost more than an over-the-counter product that may be equally effective. Why spend more than you have to?
- ▶ Use PCS Mail-Order. PCS Mail-Order allows you to buy larger quantities at less cost. The "volume discount" adds up to savings for you and the plan.
- ▶ Take advantage of the plan's well-baby and maternity care programs. These programs have been proven to reduce plan costs by helping patients identify and avoid risks to a pregnancy.
- ▶ Save the emergency room for emergencies. Talk to your doctor about the best way to receive care during off-hours or on the weekend. As a reminder, the City provides a generous sick leave program that allows you to see your doctor during regular office hours (when services are less expensive).
- ▶ Request a detailed hospital bill and review it carefully. Studies show that 90% of all hospital bills have billing errors. By reviewing your bill, you can prevent the plan from paying for services you did not receive.
- ▶ Use the Health Care Flexible Spending Account and increase your spending power for out-of-pocket health care expenses.
- ▶ Always get a second opinion for non-elective surgeries.
- ▶ Always follow precertification procedures for hospitalizations and surgeries. Precertification ensures that recommended treatment is appropriate and provided in the most cost-effective setting.
- ▶ Ask questions and read your printed materials. Talk to your doctor about reasonable treatment alternatives that may be more cost effective. Don't hesitate to call Great-West Life Member Services for information on how to use your plan benefits efficiently.

Moving Toward Open Enrollment

Once again it is time to evaluate your personal needs and make new benefit decisions for 2003. Although there are no plan changes for the new year, you are encouraged to read your printed materials and become familiar with the different options available to you.

Open enrollment begins September 30 and ends October 11. This is your once-a-year opportunity to add or delete dependents from your coverage, or to change your benefit elections. The decisions you make during open enrollment must remain in effect during the plan year. If you experience a qualified status change (such as a marriage, divorce, birth or adoption of a child), you will be allowed to add or delete eligible dependents with proper documentation.

Your enrollment package contains a pre-printed form that lists your current elections. If you do not wish to make any changes, simply check the "No Change" box at the top of the form, sign the form, and return it to your payroll personnel assistant. If you do wish to make plan changes, indicate your new choices on the form, then sign the form and return it by the October 11 deadline.

Prepare yourself to make the right move. Take the time to review your enrollment materials to make the most of the plans offered. If you have questions, attend a Question & Answer session to meet health and dental insurance representatives. (A schedule is included at the back of your Summary Guide.) By playing it right and developing a thoughtful strategy for choosing benefits, you can avoid the bumps in the road and reach your desired destination.

